

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 381 - SB 523

March 12, 2013

SUMMARY OF BILL: Changes, from less than 200,000 to less than 250,000, the mileage that Class C and D buses that are operating in the 16th and 17th year of service must have to remain eligible for operation by an local education or contracted provider.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

\$292,600/FY13-14/Department of Safety

Exceeds \$292,600/FY14-15 and Subsequent Years/Department of Safety

Increase State Expenditures –

\$292,600/FY13-14/Department of Safety

Exceeds \$292,600/FY14-15 and Subsequent Years/Department of Safety

Decrease Local Expenditures – Net Impact –

Exceeds \$15,807,400/FY13-14 and Subsequent Years/Permissive

Other Fiscal Impact – If transportation costs decrease as a result of local education agencies (LEAs) choosing not to purchase new or used school buses, the Basic Education Program (BEP) funding formula may generate less funding over time, thus decreasing state and local BEP expenditures. The impact of any decrease in BEP funding will occur three years after any BEP funding formula adjustment since the BEP transportation component is funded on a three-year average. This decrease cannot be reasonably quantified.

Assumptions:

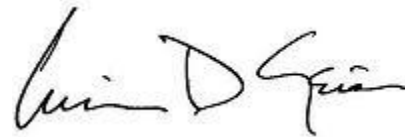
- Additional type C and D buses will be eligible for extensions.
- Increasing the mileage limitation will increase the number of type C and D buses that the Department of Safety (DOS) will inspect.
- According to the data provided by DOS, an estimated 380 buses may be eligible for an extension in FY13-14. This is approximately three additional buses that will utilize an additional waiver in each local education agency (380 buses / 136 total LEAs).

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- The inspection fee is currently \$385 per inspection and each bus will be inspected semi-annually. Assuming all buses are inspected in FY13-14, the increase in inspection fee revenue is estimated to be \$292,600 [(380 x 2 annual inspections) x \$385].
- DOS has 13 personnel who perform school bus inspections.
- According to DOS, the Department will require additional positions to accommodate an additional 760 inspections each year. It is estimated that DOS will utilize the additional inspection fee revenue to employ additional inspector positions and for paying the costs of conducting the inspections. As a result, the increase in state expenditures for FY13-14 is estimated to be \$292,600.
- The number of inspections is assumed to increase in subsequent years. As a result, there will be increased fee revenue. Any increased fee revenue will be utilized by DOS to either employ additional inspector positions or for paying the costs associated with the inspections. The extent of any increased inspections is unknown. As a result, the recurring increase in fee revenue to DOS, and the corresponding recurring increase in expenditures are estimated to exceed \$292,600.
- Annual local expenditures for bus maintenance may increase as a result of extending the service life of buses. Any increase is unknown, however, it is reasonably estimated the increase in maintenance expenditures will be at least \$1,000,000 annually statewide; further it is assumed that the cost for maintenance is less than the cost to purchase a new bus.
- According to the Department of Education, the average cost of a bus is \$90,000. If local governments elect not to purchase 190 buses (approximately 50 percent of all buses that would be due inspection) in FY13-14, the permissive decrease in local expenditures is estimated to be \$17,100,000 (\$90,000 x 190). The net permissive decrease in local expenditures in FY13-14 and subsequent fiscal years is estimated to exceed \$15,807,400 (\$17,100,000 - \$292,600 - \$1,000,000 = \$15,807,400).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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